

ORIGINAL

**GENERAL ADMINISTRATIVE ORDER  
OF THE INDIANA UTILITY REGULATORY COMMISSION  
2004-2**

WHEREAS, Indiana Code § 8-1-31-1 *et seq.* provides a statutory framework for the administration of Distribution System Improvement Charges ("DSIC") in Indiana; and


WHEREAS, Indiana Code § 8-1-31-17 authorizes the Indiana Utility Regulatory Commission to adopt by order certain procedures for DSIC administration which are not inconsistent with the provisions of Indiana Code § 8-1-31-1 *et seq.*; and

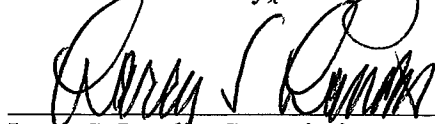
WHEREAS, certain water utilities subject to the jurisdiction of the Indiana Utility Regulatory Commission pursuant to Indiana Code § 8-1-2-1 desire a mechanism for the efficient recovery of depreciation expenses and pretax returns associated with eligible distribution system improvements without the requirement of filing a general increase in basic rates and charges; and


WHEREAS, a clear definition of the term "distribution system" and clarification of the applicable accounting standards under the Uniform System of Accounts for Water Utilities would aid in the efficient recovery of funds expended for eligible improvement projects by certain water utilities; and

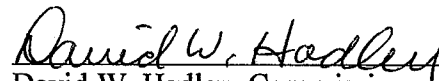
WHEREAS, a designated application procedure and specific guidelines will streamline administration of DSIC, will facilitate the improvement and replacement of aging system infrastructure, and will benefit the public interest;

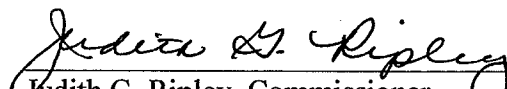
NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Policy and Procedure Governing Distribution System Improvement Charges Pursuant to Indiana Code § 8-1-31-17 which is attached to the General Administrative Order as Appendix A be adopted by this Commission.

  
William D. McCarty, Chairman

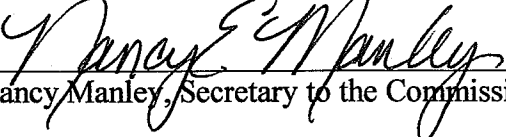
  
Larry S. Landis, Commissioner

  
David E. Ziegner, Commissioner

  
David W. Hadley, Commissioner

  
Judith G. Ripley, Commissioner

I hereby certify that the above is a true and correct copy of the resolution as approved.

  
Nancy Manley, Secretary to the Commission

Date: APR 28 2004

## APPENDIX A

### Policy and Procedure Governing Distribution System Improvement Charges (DSIC) Pursuant to Indiana Code § 8-1-31-1 *et seq.*

#### A. Statement of Policy:

It shall be the policy of the Indiana Utility Regulatory Commission ("Commission") that a water utility's Distribution System consists of the distribution mains, valves, hydrants, service lines, meters, meter installation and other appurtenances necessary to transport the finished product (treated water) from the point it exits the treatment facilities to the point at which it is delivered to the customer.

#### B. Application Procedures:

1. Any petition filed to initiate a DSIC proceeding shall be deemed the public utility's case-in-chief for purposes of the hearing in a docketed Cause. The petition may include as attachments the schedules and forms described elsewhere in these procedures and any other testimony or exhibits a petitioning public utility believes is necessary to support the relief requested. If subsequent to the filing of its petition a public utility files additional testimony or exhibits to supplement its case-in-chief, the Commission may, at its discretion, reset the 60-day deadline established by Indiana Code § 8-1-31-9.

2. Within thirty (30) days after a petition is filed, the Office of Utility Consumer Counselor may submit a report to the Commission indicating its opposition to or support of each portion of the petition.

3. By completing the applicable sections of the Application Form set forth in Part C, a public utility will be deemed to have presented a *prima facie* case that it is entitled to recover a DSIC in the amount requested. The burden of proof will then shift to the Office of Utility Consumer Counselor to contest the eligibility of the improvements or the reasonableness of the construction charges, non-construction charges, etc.

4. Nothing in this General Administrative Order shall be construed to prohibit the recovery by a public utility of costs that meet the statutory criteria of Indiana Code § 8-1-31 *et seq.*, including costs not otherwise included under Accounts 331, 333, 334, or 335 of the NARUC Uniform System of Accounts for Water Utilities, provided that the costs for which recovery is requested were incurred in a project within the utility's "distribution system," limited, as to type of project, only by the ineligibility of projects that connect to new customers.

5. The definitions of terms set forth in Indiana Code § 8-1-31 *et seq.* shall apply to all DSIC proceedings.

**C. Application Form:**

*Use of this Form is limited to costs that qualify under Accounts 331, 333, 334, or 335 of the NARUC Uniform System of Accounts for Water Utilities.*

- a. Describe each project that is included in the Petition, explaining why the project was needed, the benefits resulting to the utility and its customers upon completion of the project, and the age of the plant that was retired.
- b. Provide a statement that each project is in service, and was not included in the public utility's rate base in its most recent general rate case. Provide the Cause Number and date of the public utility's most recent rate order.
- c. Provide a statement that the project(s) will not result in an increase in revenues resulting from the connection of new customers to the utility's distribution system.
- d. Provide a statement that all necessary local, state and federal permits, approvals and/or authorizations applicable to the DSIC projects have been obtained. The statement shall be accompanied by a list of such approvals, if any.
- e. State whether any affiliates (as defined by I.C. 8-1-2-49) were directly or indirectly engaged by the public utility in connection with the installation of the infrastructure that is the subject of the proposed DSIC. If affiliates were engaged, provide copies of all affiliated interest contracts.
- f. State whether the utility plans to replace other distribution infrastructure in the next five years. If so, provide a general outline of those plans.
- g. Provide a new tariff reflecting the requested DSIC in the same format as the existing tariff on file with the Commission. The new tariff shall have clear denotations on all schedules where the DSIC rate is applicable.
- h. Provide a statement that the utility has invoices and other cost support for every item included in the Project Cost Form. Please be prepared to file invoices if required by the Commission or requested by the Office of Utility Consumer Counselor.
- i. Provide an affidavit from an officer of the utility attesting to the veracity of the statements and information submitted in this Form.

# PROJECT COST FORM

DSIC Projects Listed by NARUC Uniform System of Accounts 331, 333, 334, and/or 335

<u>Line #</u>	<u>Account #</u>	<u>Description</u>	<u>Cost of Materials</u>	<u>Labor Costs</u>	<u>Non-Construction Costs</u>	<u>Total Costs</u>
1						\$ -
2						-
3						-
4						-
5						-
6						-
7						-
8						-
9						-
10						-
11						-
12						-
13						-
14						-
15						-
16						-
17						-
18						-
19						-
20						-
<u>Total</u>			\$ -	\$ -	\$ -	\$ -

## **DSIC CALCULATION FORM**

### **DSIC Calculation**

<b><u>Line #</u></b>	<b><u>Description</u></b>	<b><u>Cost / Amount</u></b>
<b>1</b>	<b>DSIC Additions</b>	
<b>2</b>	<b>Less INDOT Reimbursements (if applicable)</b>	
<b>3</b>	<b>Less Retirements</b>	
<b>4</b>	<b>Net Investor Supplied DSIC Additions</b>	<b>\$ -</b>
<b>5</b>	<b>Pre-tax Rate of Return (1)</b>	
<b>6</b>	<b>Pre-tax Return on Net DSIC Additions (Line 4 * Line 5)</b>	<b>\$ -</b>
<b>7</b>	<b>Add Depreciation of DSIC Additions (2)</b>	
<b>8</b>	<b>Total DSIC Revenues</b>	<b>\$ -</b>
<b>9</b>	<b>Projected twelve (12) months water sales (MGAL)</b>	<b>\$ -</b>
<b>10</b>	<b>DSIC Rate per MGAL (Line 8 / Line 9)</b>	
<b>11</b>	<b>Projected twelve (12) months water sales (CCF) (3)</b>	<b>-</b>
<b>12</b>	<b>DSIC Rate per CCF (Line 8 / Line 11)</b>	
<b>13</b>	<b>Authorized Revenues Granted in Last Rate Case</b>	<b>\$ -</b>
<b>14</b>	<b>Percentage of DSIC Revenues (Line 8 / Line 13)</b>	

**Notes:**

- (1)** Pre-tax return consideration for a municipally-owned utility, not-for-profit, or a conservancy district may be the debt service associated with the DSIC additions, or the percentage return granted in the last rate order. See Section E Pretax Return Proce
- (2)** Use the depreciation rate approved in last rate order.
- (3)** Utilize the conversion of MGAL to CCF by dividing the MGAL by 0.75

Please provide the capital structure used in the most recent cost of equity determination by the Commission in the most recent rate proceeding, pursuant to I.C. 8-1-31-12. This information may not be applicable to all utilities.

Please provide the revenue conversion factor, if applicable.

**D. Reconciliation Procedure:**

Any utility authorized to impose a DSIC shall file with the Commission, no later than thirty (30) days after the expiration of each twelve (12) month period in which the DSIC rate was in effect, a report that reconciles the difference between the DSIC revenues and DSIC costs (see format and elements below). The utility shall serve a copy of this report simultaneously on the Office of Utility Consumer Counselor. Within fifteen (15) days of service, the Office of Utility Consumer Counselor shall submit its comments to the Commission and serve a copy on the utility. Upon review of the utility's report and the OUCC's comments, the Commission may, at its discretion, convene a summary hearing after notice to adjust the DSIC to reconcile over- or under-recovery of the underlying DSIC costs.

Line		A	B	C
1		Projected	Actual	Difference (negative)
2	12 month sales			
3	12 month DSIC revenues			
4	12 month DSIC costs			

**E. Pretax Return Procedure:**

Investor-Owned Utilities

In determining an appropriate pretax return for an investor-owned utility, the Commission may, at its discretion, consider the following factors:

- (1) The current state and federal income tax rates.
- (2) The public utility's actual regulatory capital structure.
- (3) The actual cost rates for the public utility's long term debt and preferred stock.
- (4) The public utility's cost of common equity.
- (5) Other components the Commission considers appropriate.

### All Other Utilities

In determining an appropriate pretax return for a municipally-owned utility, a not-for-profit utility, and a conservancy district (as established by I.C. 14-33 *et. seq.*), the Commission may, at its discretion, consider the following factors:

- (1) The debt service associated with the distribution system improvement.
- (2) For a municipally-owned utility that requested and received a return as part of its most recent rate case, an additional amount computed by multiplying the authorized return times the cost of the distribution system improvement.
- (3) Other components the Commission considers appropriate.

### **F. Suggested Tariff and DISC Appendix Format:**

#### **SAMPLE TARIFF**

➤ Existing Tariff (before DSIC)

- Utility's Name  
Date and Cause No. of approved rates

1. Service Charge, or Base Charge, or Customer Charge, (if any)

Meter Size	Charge
5/8"	\$XX.XX
3/4"	\$YY.YY

2. Volume Rates, Consumption Rates, etc...

Consumption in gallons or cubic feet	Rate per 1,000 gallons or 100 Cubic Feet
First 5,000 gallons	\$ZZ.ZZ
Next 10,000 gallons	\$VV.VV
Next 25,000 gallons	\$LL.LL
Over 40,000 gallons	\$TT.TT

3. Other Tariff items

(End of tariff.)



➤ **Suggested Format for DSIC (attached as a separate appendix sheet to tariff)**

Utility Name

Appendix A-Distribution System Improvement Charge (DSIC-1)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

DSIC per 1,000 gallons or 100 cubic feet	\$XX.XX
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(End of DSIC Appendix.)

➤ **New Tariff (after DSIC)**

Use the same format before DSIC and clearly show denotations, (e.g., by using an asterisk) where DSIC is applicable.

- If the Utility has existing surcharges such as water tracking factors, these factors should be maintained in separate appendices and are not to be combined with the DSIC. In such case, a footnote to the denotation should clearly list the surcharges to be added to the rates.